

**PATENT PUBLIC ADVISORY COMMITTEE  
PUBLIC SESSION**

Wednesday, November 13, 2002

2121 Crystal Drive  
Crystal Park 2 -- 2nd Floor Theater  
Arlington, Virginia

Recorded Meeting by:

**Frances M. Freeman**

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**P R O C E E D I N G S**

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2 MS. BOULWARE: I would like to start with the  
3 Patent Public Advisory Committee Meeting on Wednesday,  
4 November 13, 2002.

5 My name is Meg Boulware. I'm the Chair of the  
6 Patent Public Advisory Committee. I would like to welcome  
7 everyone here.

8 We have had an executive session this morning  
9 and a working luncheon now. We're attending our public  
10 meeting and we are going to go until 5 o'clock this  
11 afternoon and for those who are in attendance, if we do  
12 have time at the end of the meeting to -- for questions --  
13 for those of you who are in attendance, we will take  
14 questions from the audience.

15 I would ask though, if you could hold your  
16 questions until the end, since we're going to try to get  
17 through a fairly tight agenda.

18 I would like to ask each of the members in

1 attendance if you could identify yourself for the record  
2 and I also would like to ask and warmly welcome our two  
3 new members, Bill LaFuze from Houston, and Al Jacobs,  
4 from New York.

5 When it comes for your turn if you could just  
6 tell us a little bit about yourselves. We'll start with  
7 Jim Ferguson.

8 MR. FERGASON: My name is Jim Ferguson from  
9 California.

10 MR. MOSSINGHOFF: Jerry Mossinghoff, from  
11 Arlington, Virginia.

12 MR. LAFUZE: Bill LaFuze, now from Houston,  
13 where I have been in private practice for 29 years. I was  
14 born in the District, across the river.

15 I have been an Intellectual Property Lawyer for  
16 29 years. I earned my way through law school writing  
17 patent applications for Texas Instruments a long time ago  
18 and had a substantial patent office practice during my  
19 early years.

20 I'm primarily a litigator, although I get

1 involved in business transactions involving intellectual  
2 property.

3 I have been active in the various bar  
4 associations and worked on the Bush-Cheney transition team.

5 I spent about six weeks in Washington working on  
6 transition issues during the five or six weeks before  
7 inauguration day.

8 MS. BOULWARE: Thank you, Bill.

9 I am going to ask Bill and Al to give a little  
10 bit of their bios, since it is their first meeting.

11 I'll ask the gentleman to my left to introduce  
12 himself.

13 MR. GODICI: My name is Nick Godici. I'm the  
14 Commissioner for Patents.

15 MS. BOULWARE: Thank you, Nick.

16 MR. GIBBS: Andy Gibbs, Northern California.

17 MR. JACOBS: Albert Jacobs, Jr. I'm with  
18 Greenberg, where I chair the Intellectual Properties  
19 Department.

20 I'm a graduate of Harvard College, Columbia Law

1 School. I started out my career specializing in patent  
2 prosecution, particularly in the pharmaceutical area  
3 because in those days biotech had not been invented yet.

4 Now, my speciality is the biotech,  
5 pharmaceutical-medical area. I do predominately  
6 litigation and client counseling.

7 I belong to various of the professional  
8 organizations and try to give back something to the  
9 profession, from which I've gained a lot of personal  
10 satisfaction and hopefully provided some relief to some of  
11 my clients.

12 It is nice to be with you all today.

13 MR. STERN: My name is Ronald Stern. I'm  
14 president of Patent Office Professional Association, an  
15 organization that represents the interest of the patent  
16 professionals here at the Patent and Trademark Office.

17 MS. BOULWARE: Thank you.

18 I would also like to recognize on the record two  
19 of our inaugural members of the committee who have served  
20 terms on the Public Advisory Committee.



1 Nicholas. Congratulate him on the record, born two days  
2 ago.

3 MR. GODICI: Thank you. MS.

4 BOULWARE: Perhaps he will carry on the family tradition.

5 Who knows, but I'll ask Nick to comment on and update on  
6 Patent Operations for us.

7 MR. GODICI: Thanks a lot, Meg.

8 For the record, it is Grandpa Godici.

9 I'd also would like to welcome new members, Bill  
10 and Albert. Very pleased to have you.

11 As I go through just an operational update and  
12 wrap up the fiscal year in terms of where we stand in a  
13 lot of the statistics in the office. If you have any  
14 questions, please stop me as we go along and we can handle  
15 them then or at the end we can do it that way.

16 Starting out with the basics, the work loads --  
17 we had about -- between a two and three percent increase  
18 in work this year, over 330,000 applications filed.

19 If you remember, about midway through the year,  
20 we had our last meeting -- reported out that filings were

1 flat and that we had seen basically zero growth through  
2 about June or so in this last fiscal year. Well, filing  
3 has picked up in the last two or three months of the  
4 fiscal year.

5 So, we actually ended up with growth this year,  
6 even in the context of the economy being the way it is.  
7 Not that -- the final numbers are all in, but we will see  
8 that growth issue was between two and three percent.

9 From a staffing standpoint, we had a very good  
10 year in terms of hiring; we hired -- as you can see, 769  
11 new examiners. Our attrition rate or attrition was about  
12 250, so we had a net increase of over 500 examiners, which  
13 is very good.

14 It is going to help us in terms of bringing down  
15 some of the backlogs. Our examining staff is 3500, which  
16 is the highest examining staff we have ever had.

17 I talked about attrition rate. I just wanted  
18 to show some of the statistics, because I know that  
19 attrition rate has been something that has been tracked in  
20 Congress. We have seen comments in some of the

1 congressional reports, as well as OMB and others.

2           Of course, we have had some discussions and  
3 feedback in the past with respect to attrition rate. We  
4 have been successful in the last couple years in bringing  
5 down that attrition rate, cutting it in half.

6           Maybe part of that or a significant part is due  
7 to maybe the way the economy is going these days, but also  
8 I think that we put through a package about a year and a  
9 half ago with respect to benefits and salary, with respect  
10 to the examining staff having a special pay rate that may  
11 also be a contributor to bringing down our attrition rate.

12           We talked for the last couple of meetings about  
13 the impact with the anthrax situation in Washington on the  
14 USPTO operations.

15           I think I can report that things have smoothed  
16 out considerably and we had significant impact with  
17 respect to the anthrax situation in Washington. As you  
18 all know, the bulk of our mail went through postal  
19 facility that was contaminated.

20           So, since that time period, in October -- so we

1 have had our mail that goes through our DC Zip Code  
2 diverted and sent to Ohio to be irradiated. That process  
3 continues.

4 In the beginning, it was a little rocky and it  
5 took several weeks, if not a month or two to get through  
6 that process. We had damaged mail and delays and so on  
7 and so forth.

8 I can report that we have gotten -- or the  
9 postal service has gotten that process smoothed down now,  
10 so it is about a one-week delay over what we had seen in  
11 terms of normal mail delivery, but we're still having the  
12 mail that goes through the DC Zip code with the exception  
13 of express mail.

14 We had to expend some resources in that there is  
15 still some damage in some of the mail coming through.  
16 It's brittle and not able to conform -- doesn't last very  
17 long. We had to do some duplication or copying. So,  
18 we're still expending some dollars -- contract dollars to  
19 fix the mail that has been irradiated.

20 We're working on -- when we move down the

1 Carlyle -- to have a Virginia Zip Code and maybe some of  
2 this situation will go away.

3 With respect to Post Grant Properties, this was  
4 the first-full year -- starting at the beginning of the  
5 year and ramping up. So, you saw that -- you can see that  
6 we had 170,000 PG Publications applications published this  
7 year.

8 The rate now of the number of applications being  
9 published each week is equal to or maybe even a little bit  
10 higher than the number of patents that are actually part  
11 of our databases.

12 The op-out rate is something that has been of  
13 interest to folks, in terms of the number or percent of  
14 applications where the applicant opts out of the  
15 publication. And you can see that that stands at about 11  
16 percent right now.

17 MR. FERGASON: How does that compare with your  
18 early estimates?

19 MR. GODICI: I would like to say it's right on,  
20 but I can't remember what our early estimate was.

1           We -- it started about nine or ten percent and  
2 it hasn't changed, it hasn't varied very much from that.

3           You can see the number of patents that we  
4 granted, both from utility plant reissue, the UPRs, as we  
5 call them, and also the design patents.

6           With respect to pendency, we ended the fiscal  
7 year -- the first action pendency on the average, 16.7  
8 months to first action.

9           And the way we calculate that is look at all of  
10 the first-office actions that went out over the last three  
11 months of the fiscal year, July, August and September --  
12 add them all up and the average was 16.7.

13           It is up from last year; 14.4 was where we ended  
14 the year last year. We kind of thought that it would go  
15 up -- more slowly than that, but it jumped up by over two  
16 months.

17           On overall pendency however, for one reason or  
18 another, that one stayed level or actually went down by a  
19 7/10s of a month and didn't rise as high as we thought it  
20 would.

1           The real issue here that you should take away  
2 from this chart is that -- obviously the first-action  
3 pendency drives overall pendency.

4           Our overall pendency will be rising as probably  
5 first-action pendency until we get the changes implemented  
6 in place to help us drive that overall pendency down.

7           You can see now, breaking down by technology, so  
8 that we're not looking at averages but looking at the  
9 different technologies, 1600 and 1700 of it are the  
10 chemical-related technology centers and 1600 is biotech  
11 and pharmaceutical, 1700 being chemical engineering.

12           You can see that from a first-action pendency  
13 side they are at or a little bit below the average with  
14 respect to first-action pendency, around the average on  
15 overall pendency.

16           2100 and 2600 are big backlog areas, the  
17 computer related, the telecom areas, the computer-related  
18 technologies and telecom, and you can then see that we're  
19 over two-years pendency to the first action in those  
20 areas. That's right about three years overall pendency in

15

1 2100 and 2600.

2 2800 is also electrical engineering, but has  
3 more to do with physics and so on and so forth. We're  
4 more under control there and then mechanical area is 36-  
5 and 3700, again, a little bit lower than the averages, in  
6 terms of overall pendency and first action pendency.

7 It is pretty clear to see that mechanical and  
8 chemical have the lowest pendencies. We're keeping up  
9 better, but we're having a problem keeping up in the  
10 electrical related and computer involvement areas.

11 MS. BOULWARE: Nick, one of the questions I have  
12 and I don't know if you have tracked this, but we hear a  
13 lot about the very jumbo applications that are coming in  
14 in the biotech and the pharmaceutical area, but yet their  
15 pendency doesn't seem to be so difficult as some of the  
16 other areas.

17 Has that been looked at, because it seems the  
18 stories you hear are the jumbo applications and the  
19 complex ones coming in, the bio-pharmo area?

20 MR. GODICI: You are right. The jumbo is the

1 ones we talked about, the ones that are publicized, the  
2 ones that come in on 17 CDs and millions of pages have  
3 been in the biotech area.

4 I think what you seeing is a reflection of  
5 probably what has gone on over the last four or five or  
6 six years and that's the growth rate in the electrical has  
7 been much higher than double digit approaching 20 percent,  
8 maybe even more in some years, whereas the growth rate in  
9 the chemical areas and the mechanical areas has been much  
10 less.

11 So, in those areas we have been able to keep up  
12 with by hiring having new staff and so on, but have not  
13 been able to do that in the electrical area.

14 This is not something that reflects -- this  
15 doesn't reflect what has happened in the last year or so.

16 This is -- what you see today is reflective of what has  
17 happened over the last five or six years.

18 You can see pendency to first action and kind of  
19 track it back to the mid-80s and I'm sure our former  
20 commissioner here will recognize at least the first

1 portion of this chart in terms of being pushed to bring  
2 down our overall pendency.

3 This is first-action pendency, which then  
4 equated to 18 month overall pendency. Achieved that in  
5 the late '80s and held it pretty well for several years,  
6 but about the mid-'90s or so, the growth rates in filing  
7 and so on and so forth and then our ability to keep up  
8 with it in terms of hiring resource, cause the first-  
9 action pendency to rise.

10 You can see a pretty big spike in the last year.

11 That's what I commented on with respect to jumping up to  
12 16.

13 This is a chart that shows the -- what we call  
14 the "14-4-4-4-36 and the AIPA, Patent Term Adjustment, was  
15 introduced in the legislation and that was passed in 1999,  
16 indicating that term adjustment -- if we didn't make  
17 certain turnaround times with respect to first-office  
18 action in 14 months, amendment answered in four months and  
19 so on and so forth, this just gives you a status report  
20 with respect to where we stand on the Patent term

1 adjustment milestones.

2 For example, applications received in the first  
3 office action within 14 months, therefore, they would not  
4 get Patent term adjustment.

5 We're at about 68 percent; that's where we ended  
6 the year. That went down a little bit from where we stood  
7 at the end of last year which was about 74 percent.

8 You can see that the backlogs on the shelf are  
9 beginning to catch up with us in terms of first-action  
10 pendency when it translates to Patent term adjustment.

11 With respect to the 4-4-4-36 portion of this, I  
12 think we're doing pretty well the vast majority of the  
13 time -- 98 percent of the time for the amendment turn  
14 around of four months. So, there is no Patent term  
15 adjustment there.

16 With respect to acting on applications after a  
17 board decision, again, almost 90 percent of the time we  
18 got that under control. With respect to issuing a patent  
19 after -- four months after payment of issue fee, about 90  
20 percent in terms of time we do that.

1           The number of patents that are granted within  
2 the total 36-month time period is still above 90 percent -  
3 - 93 percent. It's that first action pendency that's  
4 beginning to separate us from them.

5           Breaking that down by technology centers -- I  
6 won't go through all of this, but again, it is the same  
7 14-4-4-4-36. There are a few ups and downs by technology  
8 and some of the aberrations, you can see that might be  
9 particular to 1600 biotech or obviously the 2100 and 2600  
10 with respect to percent of applications that actually get  
11 action in 14 months.

12           This chart is pretty much reflective of the  
13 overall pendency by technology. I won't go through a lot  
14 of specifics there.

15           MR. MOSSINGHOFF: What is with the -- you have  
16 3600 with the -- what is that?

17           MR. GODICI: Business methods.

18           What we did is during the middle of the year, we  
19 moved one group of Art Units that was previously in 2100 -  
20 - we moved them to 3600 and those were the business

1 methods. So, when we did the calculation on these, it was  
2 kind of a composite score, because they moved in the  
3 middle of the year.

4 So, this just reflects that it is the numbers  
5 with the business method numbers rolled into 3600 and  
6 taken out of 2100.

7 A little bit more specifics on Patent term  
8 adjustment. These are the applications that were filed  
9 after May 29th, 2000, that have now issued. We have had  
10 70,000 of those that were filed after that filing date  
11 that have now issued.

12 About 9.1 percent actually have had a positive  
13 Patent term adjustment. For the most part due to either  
14 the 14, which is first-office action in 14 months, but  
15 probably in this group more so the issuing of a patent  
16 four months after the payment of the issue fee.

17 But about 6,000, a little over 6,000 have had a  
18 positive Patent Term Adjustment and the average number of  
19 days that the term has been adjusted upward has been 53.6  
20 days. We will continue to track that.

1           MR. STERN: Nick, going back to the timeliness,  
2 don't you think that when the 500 examiners -- the net  
3 increase of 500 examiners become productive in the next  
4 year or two, that will have a beneficial impact on first  
5 action pendency?

6           MR. GODICI: Oh, absolutely. As those examiners  
7 become -- move up in grade and become more productive, it  
8 will help us out, but the bottom line is what our models  
9 are showing us is that that will help us in terms of some  
10 of the backlog, but you need to continue to add to your  
11 resource pool and you can't stop with one year -- one  
12 year's hiring and the benefit of that help us somewhat,  
13 but we need to continue that.

14           Application filings. Again, you can see that we  
15 have been in the upward trend in terms of the number of  
16 applications filed.

17           As we indicated earlier -- although we thought  
18 2002 might be a leveling off point, and it was obvious  
19 that both 2001 and 2002 were down years in the trademark  
20 side.           We continue to see growth and we're

1 predicting growth again in 2003, single-digit growth in  
2 the 5-percent range or so and continue to see that type of  
3 steady but slow growth in the next few years.

4           These are the number of applications on the  
5 shelf. Basically, the blue line is the inventory that  
6 have not had a first-office action yet and then the yellow  
7 are the -- excuse me, red are the total applications, both  
8 pending before first action and those in the process  
9 having had a first action, but not yet issued or  
10 abandoned.

11           You can see that total inventory on the shelf is  
12 over 500,000 applications, either waiting a first action  
13 or in the process. We have a considerable amount of work  
14 in inventory.

15           And finally -- I think this is the last slide --  
16 patents issued. You can see that there has been steady  
17 growth there.                   There is a little bit of  
18 drop-off in 2002 and the reason for that is the anthrax  
19 situation for about two or three months during the middle  
20 of the year, we were having a hard time with respect to

1 receiving mail and thus receiving issuing papers.

2 We had a few months during the middle of our  
3 year where our issues or the number of issues per week was  
4 down somewhat because we were just having a hard time  
5 receiving mail and didn't get the normal flow of issues.

6 That's back to normal now and those cases are  
7 now in queue and will be issued in the next few months.

8 That's my last slide. So, this is the basic  
9 update on operational issues. We'll talk a little bit  
10 more about some of the quality issues when we get to the  
11 quality slides.

12 MR. MOSSINGHOFF: You are under a continuing  
13 resolution, which I believe holds you to 2002 levels.

14 If that is the case, what will pendency grow to,  
15 say by the end of '05 or '06? Are we looking at four  
16 years pendency of some dire predictions would have it?

17 MR. GODICI: You are putting me on the spot  
18 here. Jerry, it kind of depends on what happens in '04,  
19 '05 or '06. But if things stay at the level that we have  
20 right now in this continuing resolution for this year and

1 continue in the out years, I think you will see our  
2 overall pendency going to the 30 to 40-month range.

3 In other words it will be over 30 months with  
4 respect to overall pendency and then that three-year range  
5 quite easily.

6 MR. MOSSINGHOFF: Madam Chair, I would submit  
7 that as far as the Patent Public Advisory Committee goes,  
8 that's an unacceptable situation. I don't see how we can  
9 go -- 18 months was achievable. Everyone knew that and we  
10 did achieve 18 months. There is no  
11 reason in the world to double that. It causes problems,  
12 not just for the vendors and high technology industries,  
13 but it causes problems for the other industries who want  
14 to know what it is they can put on the market safely,  
15 without infringing.

16 So, I just don't believe this committee can  
17 accept anything like a 30- to 40-month time of pendency as  
18 being an acceptable situation.

19 MS. BOULWARE: Does anyone disagree with Jerry  
20 Mossinghoff on the pendency issue? MR. LAFUZE:

1 I don't disagree at all. I think that that point needs to  
2 be driven home forcibly that that's an unacceptable  
3 situation, that some remedy must be found to make sure  
4 that that doesn't happen.

5 MS. BOULWARE: I would say it is not only  
6 unacceptable, but it could be alarming -- reach the  
7 alarming rate.

8 Also, under the continuing resolution, you are  
9 not going to be able to hire any examiners and in your  
10 attrition rate that you currently have, which as been  
11 which has been brought down, do you expect the same type  
12 of attrition rate and also the examiners that are  
13 attributing, what level of examiner is leaving the corps?

14 MR. GODICI: Well, we're predicting about the  
15 same level of attrition, which this past year was about  
16 the 7-percent range.

17 With respect to the level of examiner that is  
18 attritioning, I think it goes across the board. It is  
19 skewed towards the first four or five years. You will see  
20 a range.

1           If we look at the past statistics, and Esther  
2           Kepplinger may have better statistics when she comes up  
3           here, but I think the numbers we looked up in the last  
4           couple years, it is skewed towards the first four or five  
5           years in terms of attrition.

6           MS. BOULWARE: Those are the people that you  
7           invested time in and are getting productive and then  
8           leave?

9           MR. GODICI: Just about the time that person is  
10          up and running, somewhat independently, and so on and so  
11          forth. That is the time that you really see the benefit  
12          from the folks.

13          MS. BOULWARE: I believe -- did Bill LaFuze have  
14          his hand up?

15          MR. LAFUZE: Let me say that the point made by  
16          former Commissioner Mossinghoff, I think is just  
17          indicative of a much bigger problem and that is, not only  
18          can the Patent Office and the Trademark Office not  
19          function the way it should under a continuing resolution  
20          that poses the office to continuing spending levels.

1           I think that the -- all the programs of Patent  
2 and Trademark Office, that require adequate funding and in  
3 many cases increased funding for new programs under the  
4 current system, which requires Patent Office and Trademark  
5 Office to go through the same administrative business with  
6 respect to government budget approval, really stymies the  
7 ability of the Patent and Trademark Office to function in  
8 the manner that it should.

9           I believe that the overall funding mechanisms by  
10 which Patent and Trademark Office go through for budget  
11 approval, under the current system, really degrades the  
12 way the Patent Office -- Patent and Trademark Office  
13 should operate and I think that this Advisory Committee  
14 needs to study and look into whether there are fundamental  
15 changes in the manner in which Patent and Trademark Office  
16 operates and functions with respect to it's ability to  
17 collect and spend users's fees in a meaningful way that  
18 represents the departure from the current methods.

19           MS. BOULWARE: Jerry Mossinghoff.

20           MR. MOSSINGHOFF: I would second that.

1           If someone landed from Mars and you said, here  
2 is the situation, this country wants innovation. So, we  
3 like the idea you are getting 330,000 applications.  
4 That's the good news and the users, the applicants, are  
5 willing to pay as much as they need to pay to get that  
6 work handled and the Patent and Trademark Office is  
7 willing to take that money and hire as many people as you  
8 need or get as many systems as you can to handle it.

9           The fact of the matter in any logical system would  
10 be self-sustaining, self-solving. People filing  
11 applications, which is good, they file the money with it  
12 and then Nick Godici and his colleagues get to use that  
13 money to examine it in a timely way.

14           What is wrong with this picture? Well, what is  
15 wrong is exactly what Bill said. The system is broken and  
16 it really needs to be fixed. It really does need some  
17 fundamental change.

18           When you have a self-supporting -- more than 100  
19 percent -- if they get 100 percent self-supporting, this  
20 could be the model of government programs and it is not

1 because of the hoops you call them, there are other words  
2 for it, but I don't think I will use those on the public  
3 record -- that they have to go through.

4 I think it's a real shame and I think this  
5 administration ought to do something about it.

6 MS. BOULWARE: Thank you. Ron Stern.

7 MR. STERN: One of the things that we did very  
8 well as an Agency back in the '80s was keep pendency down.

9 Then we had one examiner for every 100 applications.  
10 With the new hires coming on board, you extrapolate that  
11 out, that means that the corps is now capable of handling  
12 about 350,000 applications with the 3500 examiners.

13 So, it really only takes a few more examiners in view  
14 of the increased case loads to maintain the kind of  
15 pendency that I think most people would like to see.

16 MS. BOULWARE: Thank you.

17 Anyone else have any comments or questions for  
18 Nick on the operations, fiscal year 2002?

19 Thank you, Nick.

20 The next report is Fred Schmidt, who is going to

1 review the E-Government efforts. Fred is here and ready  
2 to go.

3 I would like to just mention that Ron Myrick  
4 could not be here. Ron has been working with Fred and  
5 others over the last couple of years since the Public  
6 Advisory Committee was formed on various E-Government  
7 efforts.

8 And I'll just echo the comments of one of our  
9 recent members, Bill LaFuze, this type of program does  
10 take consistent funding -- predictable funding to make any  
11 progress and we are very interested in the latest scheme  
12 and the latest review for the Patent side of E-Government  
13 and I welcome Fred Schmidt to the table and I look forward  
14 to your presentation, Fred.

15 MR. SCHMIDT: Thanks Meg.

16 As I go through this presentation on Patent E-  
17 Government, you are going to notice two consistent themes.

18 First of these is collaboration. We're going to be  
19 talking a lot about the collaboration that we have been  
20 pursuing with the European Patent Office.

1           Secondly, as a result of that collaboration, you  
2 are going to see increased benefits coming to our  
3 customers.

4           If you will keep those things in mind, I'll be  
5 referring back to those throughout the presentation.

6           There are two main efforts in our E-Government  
7 initiatives that we're pursuing. The first of these is  
8 our electronic file wrapper. Of course USPTO has had  
9 ongoing effort to develop electronic file wrapper for a  
10 number of years and we're taking a phased approach  
11 developing first, an image-based file wrapper and then  
12 ultimately, in our forward goal of the XML file wrapper  
13 that will enable us to automate more of our business  
14 processes.

15           As I talk about the image file wrapper  
16 development, I will be focusing on the benefits that we  
17 have seen in working with European Patent Office and  
18 capitalizing on their Phoenix System.

19           MR. MOSSINGHOFF: Would you say a few words  
20 about your XML-based system, define that for us?

1 MR. SCHMIDT: Sure. Absolutely, Jerry.

2 Our XML-based System really is a application  
3 file wrapper where the contents are tagged so that some  
4 real automated processing can be done on that data that  
5 will be able to automatically identify specification,  
6 claims, abstract, drawings, different component parts and  
7 do some automated processing of those components as  
8 opposed to the image-based file wrapper which is more or  
9 less just a picture -- an electronic picture of the pages  
10 of the application.

11 MR. MOSSINGHOFF: But neither of those are the  
12 text in digital form so you can do random searching?

13 MR. SCHMIDT: The XML is text searchable. That  
14 is our ultimate goal.

15 MR. MOSSINGHOFF: Every word ends up in there as  
16 a --

17 MR. SCHMIDT: Right. That is our ultimate plan  
18 for XML.

19 MR. MOSSINGHOFF: Thank you.

20 MR. SCHMIDT: Before we go and talk too much

1 about the electronic file records I do want to mention our  
2 electronic filing efforts, because that is, again, it's  
3 another major initiative for the USPTO.

4 Here we have really increased our menu of  
5 options for the applicants. You may recall that back in  
6 June we signed partnership agreements with five different  
7 vendors for these five companies to develop electronic  
8 filing tools and to be able to market these tools in the  
9 open marketplace.

10 Just to give you a progress report on that, the  
11 USPTO will be ready to accept submissions from these  
12 vendors in January, 2003.

13 We anticipate that at least one of these vendors  
14 will be ready to give us their first offerings and submit  
15 electronic file applications with their own tools within  
16 the first quarter of 2003 with the other partners  
17 following suit.

18 Collaboration, as I mentioned, we're working  
19 with the European Patent Office on Pat XML. What is Pat  
20 XML? That is really their authoring tool for XML patent

1 applications. It is the equivalent of our PASAT component  
2 of our EFS tool. This tags all the individual components  
3 of a patent application when they are submitted  
4 electronically.

5 So, we can do that automated processing that you  
6 were talking about, Jerry.

7 EPO are learning lessons from us from our  
8 experience with our EFS tool over the last two and a half  
9 years. So, that's moving along pretty well.

10 Our own electronic filing system is continuing  
11 in a maintenance mode, if you will. We're not making any  
12 enhancements in the PASAT offering component of that tool.

13 However, there is a submission component of  
14 that tool called ePAVE. That component will be upgraded  
15 in January to make it Annex F compliant. Annex F is the  
16 WIPO standard for document-type definitions so that we'll  
17 have international standard components for our  
18 applications.

19 So, again, our EFS efforts are in a maintenance  
20 mode and we are looking more and more for the outside EFP

1 partners to develop electronic filing tools for the USPTO.

2  
3 Two other efforts I want to mention in the  
4 electronic filing arena that tie directly to collaboration  
5 with the EPO. That is the fact that we are working with  
6 our European partners to develop a U.S. Plug-in, as it is  
7 called, for their epoline electronic filing tools.

8 Right now, of course, they have epoline  
9 available for their customers to file electronically in  
10 the EPO. We're going to work with them so that customers  
11 will be able to, if they so choose, use epoline to file  
12 applications here in the USPTO.

13 Again, another offering, another choice for  
14 applicants to choose from to file electronically.

15 Additionally, we're also going to capitalize on  
16 the fact that the EPO has a PCT electronic filing  
17 component already developed that we're going to work to  
18 make that compatible in our system here so that we'll be  
19 able to accept PCT applications with the U.S. as a  
20 receiving office.

1           Again, that's another ongoing collaborative  
2 effort that we're making with the European Patent Office.

3  
4           You can see, we have really broadened out from  
5 the singular approach we had, say a year ago, where the  
6 only choice applicants had was our EFS tool.

7           We have really broadened out the number of  
8 options and choices available to our customers and are  
9 working very aggressively with the European Patent Office  
10 to bring our electronic filing systems closer together.

11           MR. GIBBS: Fred, from a practical matter, if  
12 epoline is already up and running, and the PTO will allow  
13 the filing through the PTO, using the EPO line tools, EFS  
14 -- the PTO's EFS system is in maintenance mode -- you are  
15 not moving forward.

16           In speaking with a couple of the companies that  
17 were granted the E-Filing, one of the EFP still don't have  
18 solid specifications. So, they are not even moving  
19 forward with the development, at least the two that I  
20 spoke with just a month -- about a month ago.

1           So, from a practical standpoint, are these tools  
2 really going to be available? If so, are we looking  
3 realistically at the end of '03, sometime in '04? Is  
4 there a date where the real specifications --

5           MR. SCHMIDT: I'll let Doug Bourgeois address  
6 that one since he has volunteered.

7           MR. BOURGEOIS: I would like to address that  
8 question.

9           The design specifications for the server  
10 component that is Annex F compliant supports the  
11 International Standards was provided to the electronic  
12 filing partners on schedule, approximately three weeks  
13 ago.

14           So, that document and that project are  
15 continuing along our original plan for January 23rd date  
16 for that server to be ready for testing. I believe that  
17 addresses the question.

18           MR. GIBBS: January 23rd for testing of the  
19 submissions from these five companies?

20           MR. BOURGEOIS: From any of the five companies

1 which have products ready -- client products ready on  
2 their side. We don't anticipate that all five will be  
3 ready at the end of January.

4 At this point, we don't have a firm commitment  
5 from any that they are going to be ready when we're ready  
6 on the server side, but we do have one -- at least one who  
7 is providing some rather strong signals that they may be  
8 ready or are preparing to go be ready, but they haven't  
9 committed to being ready to test at the end of January.

10 MR. GIBBS: One of the five has just gone  
11 through or is going through an ownership change, as I  
12 understand?

13 MR. BOURGEOIS: I understand it as well, but  
14 while I'm not privy to the specifics of the changes in  
15 ownership of that company, I can comment that from my  
16 experience in the private sector that I'm aware that such  
17 transactions create uncertainty from a business strategy  
18 standpoint.

19 We can't predict what the long-term strategy  
20 will be for that company. There has been, at least in

1 communications with us, a near term reaffirming of their  
2 approach and their strategy with respect to this project.

3 They have not provided any indication that they  
4 are backing out, at least at this point, but of course  
5 that is subject to change based on the business strategy  
6 that gets developed as a result of the transaction.

7 MR. GIBBS: One just higher-level question.

8 The five companies may have five completely  
9 different solutions. So, there will not be a real  
10 standard per se, except the extent that they will  
11 interface with the new NXF.

12 MR. BOURGEOIS: That is exactly the key to the  
13 Annex F.

14 If it is the defacto standard and as long as we  
15 provide ongoing maintenance and support for our sever side  
16 of that interface, that standard, we make any changes once  
17 and any client side product, offering tool, if you will,  
18 that any applicant is using, whether it is one or ten, as  
19 long as we're compliant to that Annex F standard with our  
20 server, then we can accept those applications.

40

1           So, it really minimizes the level of effort, the  
2 cost associated with maintaining our continued support for  
3 that international family.

4           MR. SCHMIDT: Thanks Doug.

5           Just to chime in, really, our view is that these  
6 EFP vendors will have different approaches and they may  
7 carve out different niche markets and we're okay with  
8 that. We're not necessarily looking for all five to serve  
9 every client base.

10           In fact, that's why we went with the five  
11 different vendors to -- again, have an opportunity for  
12 people to maybe customize their electronic filing tools to  
13 perhaps the biotech industry or chemical industry or  
14 computer industry, whatever.

15           So, we're okay if there is a customization. The  
16 point is we'll be able to accept the applications from all  
17 these EFP partners here in the USPTO.

18           So, thanks for that question. Next slide  
19 please.

20           Moving ahead in the image-based file wrapper

1 area, as far as application processing, as I mentioned, we  
2 are collaborating heavily with the European Patent Office  
3 and we are building on the lessons that they have learned  
4 through years of experience with their Phoenix system.  
5 as part of the no-cost contract.

6 Our plans are to set up a prototype utilizing  
7 Phoenix for image-based application processing in our  
8 Office of Initial Patent Examination, of course, where  
9 applications come in and in three group Art Units.

10 Selected applications will be scanned for  
11 examiners in those Art Units and during this prototype,  
12 we'll be working, of course, from an image file wrapper.

13 Of course, since it is a prototype and we'll be  
14 learning things, the official file, of course, will remain  
15 the paper application file and throughout the prototype,  
16 there will be a coexistence between paper processing and  
17 the image processing that will be going on.

18 But again, EPO has successfully used Phoenix and  
19 has successfully used this image file wrapper as their  
20 official file for a number of years. We are going to be

1 picking up on those lessons already learned by the  
2 European Patent Office.

3 Next slide please.

4 To have our plans coincide with the 21st  
5 Century's Strategic Plan and our Carlyle move, we are  
6 looking and we are planning for deployment of a Phoenix-  
7 based, image-based application process this summer.

8 At this point in time, as things roll on, our  
9 image file wrapper will become the official file for the  
10 USPTO, as it is in the European Patent Office.

11 To make this a reality of course, all incoming  
12 new applications will be scanned in Phoenix and all  
13 incoming and outgoing communications from the office will  
14 be scanned into Phoenix.

15 Paper-based application processing will be  
16 replaced. As is done in the European Patent Office, our  
17 patent examiners will have access to what they call a  
18 "Paper working file."

19 So, examiners, although they have the complete,  
20 official, file wrapper image form available on their

1 desktop work stations, they will have paper files  
2 available in their offices and these paper working files  
3 are basically a subset of the contents of the normal  
4 patent application file.

5           Again, here we can learn from components of an  
6 application file the EPO examiners feel are most critical.

7           These are papers that examiners can markup in the system  
8 in the examination process. So, they will have that  
9 working file available to them.

10           As has been pointed out to us by Ron Myrick and  
11 the other members of the E-Government Subcommittee, our  
12 move toward an image-based application processing system  
13 really must coincide with our move to Carlyle to avoid the  
14 situation of moving lots of paper applications back and  
15 forth between our Crystal City location and the Carlyle  
16 location.

17           So, we plan to capture the back file, that is  
18 pending applications, from our Tech Centers as they are  
19 scheduled to move down to the Carlyle.

20           Again, this will eliminate that issue of lost

1 paper files as we make this move to Carlyle that is  
2 scheduled to take a year or year and a half. Next slide  
3 please.

4 For our image file wrapper activities, we have  
5 technical activities and business activities. On the  
6 technical side, Doug has seen that they are working  
7 aggressively to basically, reconstruct our basic  
8 architecture to a enterprise application architecture, a  
9 hub architecture. Rather than point-to-point  
10 system connections we have a hub and the different  
11 automated systems are communicating through that hub. A  
12 much simpler, a much robust structure, much more  
13 efficient, much more reliable.

14 Again, this is being done as ground work for our  
15 image file wrapper activities.

16 Phoenix, as set forth in the European Patent  
17 Office is based on a different database, DB2, for those  
18 who are into databases.

19 We, of course, here at the PTO use Oracle data  
20 bases, so, we're making that integration change as we move

1 and integrate Phoenix into our automated systems. We're  
2 integrating Phoenix into our baselines, our operating  
3 systems.

4 As we make these moves, we are having test,  
5 prototype, and production environments. This is basically  
6 a conservative, cautious approach to development. We'll  
7 have a test environment where we will test Phoenix.

8 Then we'll have a prototype environment, as I  
9 mentioned, small scale and then go to full production for  
10 the entire Patent Corps.

11 As we move our automated information systems to  
12 exchange data with Phoenix, we're going to be looking to  
13 reduce redundancy of data entry. That is again, part of  
14 this integration effort.

15 For those of you that are familiar with  
16 acronyms, PACR, the last bullet on the slide, refers to  
17 PACR, which has been USPTO's own homegrown scanning  
18 system. Through the integration of Phoenix, PACR  
19 scanning and data storage will gradually go away. We'll  
20 be relying on Phoenix. Of course, PALM, which is our

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1 critical work-flow tool, again, will be integrated with  
2 the Phoenix system to get a work flow information from the  
3 Phoenix image system.

4 Next slide.

5 In the business area, as I mentioned we have  
6 selected three different Art Units. We selected two Art  
7 Units in Tech Center 2800. Primarily, a semiconductor  
8 technology area and one Art Unit in Tech Center 1600,  
9 which is a biotech area.

10 We selected these areas because we feel they  
11 give us a broad diversity of the types and complexity of  
12 patent applications that we'll have to deal with.

13 We're doing a lot of work to establish the work  
14 environments appropriate for Phoenix integration looking  
15 at scanners and printers.

16 One of the real benefits that will be derived by  
17 our customers with the integration of Phoenix into the  
18 USPTO is the opportunity for automated priority document  
19 exchange.

20 This is a module that Phoenix already has fully

1 operational for the EPO. It will eliminate the exchange  
2 of paper priority documents.

3 Basically, we'll be able to burn CDs and be  
4 mailing CDs back and forth between us and the European  
5 Patent Office, rather than pumping paper back and forth --  
6 big improvement for us.

7 Scanning provision applications -- that is one  
8 thing we'll have to address, because of course, the EPO  
9 does not have provisional applications. So again, it will  
10 just be a matter of scanning our provisional applications  
11 into the Phoenix environment. The last two  
12 bullets on this page referring to indexing schemes and  
13 document codes get a little bit into the technological  
14 issues involved with integrating Phoenix. The  
15 document codes of course, refer to the types of document  
16 that come in. We of course, are having our own document  
17 codes based on U.S. Patent practice as opposed to the  
18 document codes that the EPO has for their practice.

19 To the greatest extent possible, we're using  
20 document codes in Phoenix that are built around our

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1 already existing PALM document codes that our employees  
2 are very familiar with. Next slide.

3 One of the real benefits that Phoenix provides  
4 for us internally in the business aspects of application  
5 is messaging. Phoenix automatically creates messages that  
6 can be sent to individuals or work units based on their  
7 receipt of different types of documents.

8 So, a given document with a document code will  
9 automatically trigger a message to go to say, an SPE  
10 saying there are new applications available to be assigned  
11 to examiners or to an examiner saying, an amendment has  
12 come in.

13 There is an amendment available on your docket.

14 Of course we are customizing the message wording to be  
15 compliant with U.S. Practice as opposed to the message  
16 wording that Phoenix has right now that is designed under  
17 the EPO system.

18 Another big benefit to the last bullet on this  
19 page, the on-line file inspection process. This is a real  
20 benefit for external customers, something we have heard

1       them ask for for a long time. EPO provides it right now.

2

3               Basically, that means that over the Internet  
4 we'll let applicants take a look at all the contents of  
5 their patent applications.

6               Right now of course, through our PAIR system,  
7 you can look at the different statuses and the different  
8 contents entries. You can see that the application was  
9 issued, then an amendment after trial rejection came in,  
10 but you can't actually look at the document itself.

11              With Phoenix up and fully operational, our  
12 applicants, through our PAIR system, we'll be able to look  
13 at the full documents that are in the patent application  
14 file wrapper.

15              Similarly, when we're up and fully running, our  
16 USPTO examiners and EPO examiners will be able to take a  
17 look at applications -- equivalent applications that are  
18 pending in each other's offices as they come up.

19              So, again, a real benefit in collaboration for  
20 our examiners in the EPO and the USPTO to see what has

50

1 progressed in those equivalent applications. Next slide  
2 please.

3 Of course, as we move for this integration into  
4 Phoenix -- of Phoenix into our business process, we're  
5 looking at the processes for LIEs or supervisors, SPEs,  
6 and examiners. We are looking at the appropriate  
7 messaging and how the examiners will work with their  
8 working file.

9 As far as training the staff, we're getting a  
10 real benefit here because we can build on the training  
11 that the EPO has already created and successfully used for  
12 their examiners and formalities staff. Again,  
13 we're already working with EPO staff that created training  
14 on Phoenix for them and we're going to incorporate that to  
15 the greatest extent possible.

16 As I mentioned, as we go through the prototype,  
17 we're going to select applications from all stages of  
18 prosecution. We will be scanning our back file  
19 applications -- basically, all pending applications for  
20 those individuals that are in the prototype.

1           Last but not least, we're looking at a number of  
2 potential legal changes. We have an OG noted that we're  
3 planing to send out and some of the things that we're  
4 thinking of exploring are full-claim section replacement  
5 for amendments.

6           In this mode additions would be underlined and  
7 deletes would be striked out, somewhat similar -- if some  
8 of you are familiar with track changes in Microsoft word  
9 the way you communicate changes there -- we've looking at  
10 a similar type of approach here.

11           We're going to explore the concept of not  
12 mailing out patent references with Office Actions. I'm  
13 sure we will get lots of comment on that. We're looking  
14 at that as we move, integrating EPO's Phoenix --  
15 successful Phoenix system -- into the USPTO.

16           That's it.

17           MS. BOULWARE: Thank you. For questions --  
18 Jerry Mossinghoff will start.

19           MR. MOSSINGHOFF: Thank you very much, but it  
20 looks like we're moving in the -- certainly, in the right

1 direction.

2           Would you or Doug describe for us what the  
3 search files will look like in Carlyle, both in the  
4 examiner's groups and in the search room?

5           What will -- when we walk into Carlyle a year or  
6 so from now, what will we see in the way of search files?

7           MR. SCHMIDT: Are you talking about the public  
8 search files, Jerry?

9           MR. MOSSINGHOFF: Both -- what is the examiner  
10 going to have in the technology centers and what is the  
11 public going to have in the search files?

12           MR. SCHMIDT: Well, as you know, our millennium  
13 agreement that we reached calls for the gradual phaseout  
14 of paper search files. And so that calls for the  
15 elimination of up to 75 percent of our U.S. Patents and  
16 publications.

17           MR. MOSSINGHOFF: That sounds a little less  
18 crisp than I wanted to. I'm going to walk into the  
19 Carlyle facility -- one year, let's say 18 months from  
20 now.

1                   What am I going to see when I walk into a  
2 technology center? What is going to be there? Are there  
3 going to be shoe boxes, no shoe boxes?

4                   MR. SCHMIDT: I'll let Nick handle that. It  
5 seems like he's waving his finger at me.

6                   MR. MOSSINGHOFF: Also, what happens in the  
7 public search room?

8                   MR. GODICI: What we hope to see, Jerry, is that  
9 there is no need to have paper copies of U.S. Patents.  
10 Our search systems, our automated search systems have been  
11 tested enough and used enough and accepted enough that  
12 we're not going to have paper copies of U.S. Patents.

13                   Foreign patents and non-patent literature is  
14 going to be on a case-by-case basis. We may have some  
15 non-patent literature on paper and so on and so forth, but  
16 I think it is pretty clear that you won't see shoe boxes  
17 when you have paper copies of U.S. Patents on the public  
18 search room side.                   Hopefully, it is going to be  
19 very similar. We're going to have a large electronic  
20 search room with many, many work stations available for

1 the public to research our data bases and only that paper  
2 that is absolutely necessary and not a duplicate of our  
3 databases.

4 MR. MOSSINGHOFF: I was hoping to hear the word  
5 paperless but I didn't hear that, but we're getting close.

6

7 MR. GODICI: We're getting close.

8 MR. MOSSINGHOFF: That really is going to be --  
9 you are not going to bring the old unit assigned shoe  
10 boxes down to Carlyle?

11 MR. GODICI: We're going to auction them off  
12 (Joke).

13 MR. MOSSINGHOFF: You'll get a lot for those.

14 MS. BOULWARE: Andy Gibbs.

15 MR. GIBBS: Fred, a couple of questions.

16 You are going to scan provisional applications?

17 MR. SCHMIDT: Yes. We scan provisionals right  
18 now, actually, using our system.

19 MR. GIBBS: Provisionals are not examined.

20 MR. SCHMIDT: Right.

1 MR. GIBBS: They are not searchable?

2 Why do we want to put a system in place to scan  
3 those? Is scanning an interim step to including  
4 provisionals in the XML database?

5 MR. SCHMIDT: Well, if we want to scan  
6 provisionals again, to have an electronic record for our  
7 files, we want to get away from having paper files.

8 So, again, all applications we want to scan. Is  
9 it a step to a full XML based application? For sure, for  
10 sure.

11 Ultimately, we want to have all our incoming  
12 submissions via XML-type format, provisional utility, all  
13 forms. Our EFS application does that now.

14 Again, the different offerings that we've talked  
15 today with the EFP vendors, again, we will be driving  
16 toward XML tagged application submissions to be filed  
17 electronically.

18 MR. GIBBS: Will abandoned -- this is a policy  
19 question too, but will abandoned provisionals become part  
20 of searchable priority?

1           MR. SCHMIDT: That's a legal -- I'll let Steve  
2 handle the legal questions. Steve?

3           MR. KUNIN: I think that the short answer is, if  
4 you look at the provisions of 35 USC, Section 102(e), the  
5 provisional application filing date is available for prior  
6 art purposes, for published applications and patents.

7           So, therefore, if there is a situation where you  
8 must, because of the examined applications filing date,  
9 rely upon the content of what is in the provisional  
10 application with respect to what it discloses as of its  
11 filing date, then the provisional application essentially  
12 becomes the reference -- even though it is not published,  
13 content-wise to provide the support for the earliest since  
14 filing or benefit date for the reference published  
15 application or patent.

16           MR. MOSSINGHOFF: But if it is abandoned, it is  
17 nothing. It is not prior art.

18           MR. KUNIN: Let me clarify. All provisional  
19 applications go abandoned. No provisional application has  
20 a life more than one year after its filing date.

1           The issue is where a nonprovisional application  
2 claims benefit of a provisional under 35 USC Section  
3 119(e), when the nonprovisional application is published,  
4 the prior art effect date under 35 USC 102(e) goes back to  
5 the filing date of the provisional.

6           Additionally, the provisional application has to  
7 provide 35 USC 112, first paragraph written description  
8 support for the common subject matter disclosed in the  
9 nonprovisional application.

10           Similarly speaking, for a reference to be a  
11 reference, it has to itself be enabled.

12           So, therefore, if you must rely upon the content  
13 of the provisional because that is the filing date you  
14 need to use against somebody else's application, then the  
15 provisional application's content is critical,  
16 irrespective of whether it is abandoned.

17           It is no different than the old practice where a  
18 parent application went abandoned in favor of a  
19 continuation, the continuation became a patent and the  
20 prior art date under 35 USC 102(e) was the filing date of

1 the patent's parent application, even though the parent  
2 went abandoned. If you can rely on the parent application  
3 filing date as the 102(e) prior art effect date, the  
4 parent application has to be enabled.

5 MR. MOSSINGHOFF: But if there is no  
6 nonprovisional filed, the provisional is a non-thing as  
7 far as patent law is concerned?

8 MR. KUNIN: You are absolutely right.

9 MR. FERGASON: I have a question here.  
10 Do you mean -- does that mean that your -- when  
11 you do a continuation, I guess you would call it,  
12 permanent application, does that mean that the provisional  
13 goes into the file wrapper and then becomes a part of the  
14 art?

15 MR. KUNIN: Currently, the provisional  
16 application has its own file wrapper and in the Phoenix  
17 system, it will have its own EFW equivalent.

18 A provisional application filed under 35 USC  
19 111(b) has its own file wrapper, whether it is on paper or  
20 in electronic form. It is kept separate from the content

1 of the nonprovisional application. Similar to the old  
2 practice when you have a parent application and a  
3 continuation application, even though they are separate  
4 file wrappers, you can apply the granted patent under  
5 102(e) based upon its earliest SS 120 filing date.

6 Then certainly the applicant who is having the  
7 reference applied against him or her is going to say to  
8 some degree, which disclosure of the parent or child  
9 application supports the earliest filing date?

10 Now, presumably between a parent application and  
11 a continuation application they are virtually going to be  
12 identical so, there usually is seldom an issue in that  
13 regard.

14 With respect to a provisional and  
15 nonprovisional, there may be a difference in terms of  
16 congruence of content.

17 It will be a legal issue to determine the extent  
18 of what is the description that supports the earliest  
19 filing date for 102(e) purposes.

20 MR. FERGASON: It is clear that you can have a

1 new matter in the nonprovisional that leads from the  
2 provisional. So, there is clearly a separation there.

3 It occurs to me that somewhere along the line  
4 access would become necessary to establish what is new  
5 matter and what is old matter. So, it is quite clear  
6 something like this has to be done.

7 The main question then is answered. That is  
8 that even though this is only called up in times of need  
9 it is not publicly accessible in terms of file wrapper.

10 File wrappers -- I can't normally get this when  
11 I'm preparing to combat this infringement -- pursue my  
12 infringement. I don't ever assume that, but --

13 MR. KUNIN: I think we have some exceptional  
14 patent attorneys here who are more expert than I am on  
15 litigation.

16 But I would submit to you that whenever you  
17 claim the benefit of an earlier application in order for  
18 there to be essentially the full disclosure in terms of  
19 civil discovery that the content of that parent  
20 application or provisional application, if it becomes

1 critical to the proceedings is discoverable.

2 Of course, Bill LaFuze or Jerry Mossinghoff, who  
3 has been involved with these matters as expert witnesses  
4 or trying cases, can give -- or Al Jacobs can give  
5 specifics in terms of how frequently they have seen that  
6 issue arise.

7 MS. BOULWARE: Bill LaFuze.

8 MR. LAFUZE: I think the question originally  
9 asked was, do we have to scan the provisionals?

10 It seems that the short answer to that is, if  
11 we're going to a paperless system, the answer is yes,  
12 without regard to what they are used for later on.

13 MS. BOULWARE: Thank you.

14 Andy Gibbs.

15 MR. GIBBS: One very quick follow-up.

16 If we assume that you can E-file a provisional,  
17 are there specifications and are there potential vendors  
18 working on E-filing solutions for the client side as well  
19 as the nonprovisional application E-filed?

20 MR. SCHMIDT: Not that we're aware of at this

1 point, but my assumption would be the EFP vendors would  
2 want to cover the full gamut of electronic filing option  
3 that U.S. PTO currently provides with the affects. We  
4 covered that right now.

5 The focus right now is on utility applications,  
6 but for our discussions with the EFP vendors, they are  
7 looking to take over the marketplace as much as they  
8 possibly can. We're looking for them to do that to the  
9 greatest extent possible.

10 MS. BOULWARE: I have a couple of questions.

11 First, in the slides there was reference to the  
12 examiners having access to a paper working file, and my  
13 question is, is that paperworking file going to be moved  
14 to Carlyle?

15 It seemed like there was some redundancy there.

16 I just wanted to understand it.

17 MR. SCHMIDT: The concept from the EPO that  
18 we're building on is that the examiners have paperworking  
19 files in their office. They are not huge racks of files  
20 like we currently have in our central file area in the

1 tech centers. They are very compact, a mere fraction of  
2 the size of the normal application files.

3 They would go with the examiner as they go with  
4 -- as examiners would carry their personal reference books  
5 and things like that.

6 So, we're not talking about a massive amount of  
7 information or paper. Again, we're building and we're  
8 basing our practice on what the EPO has shown to be a  
9 successful model that their examiners like and use.

10 MS. BOULWARE: Also, just a very global  
11 question.

12 What efficiencies and quality aspects does  
13 Phoenix bring to the table?

14 I mean, Phoenix was shown for a reason and right  
15 now we're looking at trying to decrease pendency and  
16 increase quality. What does Phoenix bring to  
17 the table over other systems?

18 MR. SCHMIDT: Basically, Phoenix brings us the  
19 benefits of not losing paper files, the fact that --

20 MS. BOULWARE: I meant over other electronic

1 systems that would be the same. I'm not comparing to it a  
2 paper file.

3 I'm -- I guess my question is, was Phoenix  
4 chosen because it is there?

5 MR. SCHMIDT: Yes, I think partially because it  
6 is there and it's proven and it's successful in another  
7 major World Patent Office.

8 I think that was a factor and the fact that they  
9 have gone through the same lessons that we knew we would  
10 have to go through in our own development of an image-  
11 based application process.

12 I think our view is that our patent examiners  
13 are very creative, clever people. They are going to come  
14 up with untold benefits just like they have with our  
15 search systems.

16 Once we give them the basic tools, our examiners  
17 are very smart and shrewd about making the maximum use of  
18 those automated tools.

19 MS. BOULWARE: Also, with the image-based  
20 system, and I'm not sure this was covered earlier, I think

1 it was asked, with an image-based system, what kind of, if  
2 any, limitations do you have on searching it and -- let's  
3 just do the searching first with image-based system?

4 MR. SCHMIDT: Basically, you cannot text search  
5 the contents of the image-based file wrapper. That would  
6 not come until later as we were discussing with Jerry.

7 Once we have the XML tagged application  
8 components, then that would be text searchable.

9 MS. BOULWARE: As I understand it, you do have a  
10 time-line here starting with the prototype this month,  
11 then you have pretty much office-wide deployment in June -  
12 - in June of '03?

13 MR. SCHMIDT: End of June, that's our plan.  
14 Again, this plan is designed to coincide with the goals of  
15 the 21st Century Strategic Plan and the Carlyle move.

16 MS. BOULWARE: And then there would be -- the  
17 full deployment would be based upon moving the Art Units  
18 over to Carlyle. So, there is a specific time-line here?

19 MR. SCHMIDT: Yes. The scan -- let me  
20 elaborate.

1           In the move to Carlyle the scanning of the back  
2 file, which would be all the pending paper applications,  
3 those would be scanned in sync as the tech centers would  
4 be scheduled to move to Carlyle.

5           Does that help elaborate that point?

6           MS. BOULWARE: Yes.

7           MR. SCHMIDT: That's really what I was trying to  
8 say. Sorry, I wasn't clear.

9           MS. BOULWARE: I think you were. You were  
10 talking about it and then there were integrals of  
11 discussion.

12           Is there a current plan or a time-line for  
13 having the -- going to the digital and having fully  
14 searchable file wrapper?

15           MR. SCHMIDT: Our target is 2006.

16           MS. BOULWARE: 2006?

17           MR. SCHMIDT: Yes, 2006.

18           MS. BOULWARE: And is the -- is this also an EPO  
19 target; are we working with the EPO on developing these  
20 systems?

1           MR. SCHMIDT: Yes. Yes, we are working totally  
2 in sync with EPO in this regard and my referencing --  
3 discussing their XML electronic filing tool, that is their  
4 tool that will create XML tagged applications for their  
5 own internal, automated processing.

6           As I mentioned, they are sort of taking  
7 advantage of the lessons that we have learned with our EFS  
8 system, which already creates XML tagged applications.

9           MR. BOURGEOIS: This is where it gets pretty  
10 tricky. The EPO is working from outside-in. We talked  
11 about Pat XML, which is their offering tool.

12           So, they are getting that to be compliant with  
13 XML standards and to support XML. They have not looked  
14 that far past that in terms of their internal systems and  
15 their schedule, etcetera.

16           So, the tricky part is, we have a schedule in  
17 commitments. We will work together on the migration of  
18 Phoenix to support XML. They have EPO systems, we have  
19 PALM.

20           There are other systems that will touch Phoenix

68

1 in our own environments that will move at the same time,  
2 although it will be independent efforts.

3 So, there is work that each of the offices will  
4 do independently to migrate all of their systems in XML  
5 and there is work we'll do together to migrate Phoenix to  
6 XML in that '06 time period.

7 I hope I didn't confuse the matter, but it  
8 really is tricky.

9 MS. BOULWARE: Any other questions for Fred or  
10 Doug at this time, comments? Thank you very  
11 much.

12 We're going to take a short break. We have got  
13 some of our participants who need to attend to some very  
14 short business. Then we will resume. Thank you.

15 (Short break.)

16 MS. BOULWARE: We have had ongoing work with the  
17 Quality Subcommittee, which is going to be chaired this  
18 year by Steve Fox, who unfortunately could not make it.

19 Another member of the PPAC is in the Far East  
20 right now, but I'm going to ask Esther to review the

1 latest in the quality efforts.

2 The Public Advisory Committee has been on record  
3 that quality is the number one issue and that we should  
4 not sacrifice unless -- if quality is going to be  
5 sacrificed, it is our number one issue.

6 I would like to ask Esther to start her  
7 presentation.

8 MS. KEPPLINGER: Thanks, Meg.

9 First, I thought I would give you a little of  
10 the statistics. Nick gave you the statistics for end of  
11 the year on pendency and hires. I have some of the  
12 statistics on quality.

13 Our goal for this year was five percent error  
14 rate this. Is an error rate for those -- the types of  
15 errors that we think a court might hold a patent invalid  
16 for.

17 We're looking for that value of error and  
18 actually, exceeded our goal, 4.2 percent. We also have an  
19 annual customer satisfaction survey we do, that we utilize  
20 as a measure of the level of satisfaction among our

1 customers.

2           Unfortunately, we did not reach our target on  
3 this particular goal. We have been kind of slack on this  
4 one. We're going to have to step back and see what  
5 additional things we can do to try to move this one  
6 forward. We were at 63 percent.

7           This chart shows those kinds of trends since  
8 1998, how we have gone out on customer satisfaction and  
9 also employee satisfaction.

10           We have gone up in customer satisfaction, 11  
11 percent overall though the last three years we have been  
12 kind of flat in the customer satisfaction. Employee  
13 satisfaction, we have gone up about 18 percent over the  
14 over the three years.

15           We did not have an employee survey this year,  
16 but we will be running one in this fiscal year.

17           By Technology Center -- looking at the quality  
18 statistics and customer service statistics, you can see  
19 that overall we achieved very, very well in most of the  
20 Tech Centers.

1           In fact, five of the seven were down in the  
2 three-percent range, which was really excellent  
3 performance this year. The two that are lagging a little  
4 behind are two mechanical Tech Centers, those that cover  
5 3700 and they were at the 5.8, 6.6, although they also  
6 showed some decline over their performance last year.

7           So, I think we have them on track and they'll be  
8 down also and the customer service satisfaction, again,  
9 the Tech Centers are pretty similar in the results.

10          We ask applicants to identify which tech center  
11 they do most business with so they answered the questions  
12 by identifying a particular Technology Center. The only  
13 one that's lagging behind there is 2100.

14          Some additional statistics we have put in place  
15 over the last few years -- mandatory appeal conferences in  
16 which we require the examiners, when they receive a brief  
17 from the applicant to conduct an appeal conference with  
18 the supervisor and at least one other examiner and to sit  
19 down and talk about the application, make sure that we  
20 have put forth the best case, that is the case's ripe to

1 go forward to the Board of Appeals. If it does  
2 go forward, to also make certain that we have our best  
3 arguments in place in the case. As you can see, we have  
4 reduced the number of cases going forward and the number  
5 of examiner's answers.

6 In '98, of those applications in which a brief  
7 was filed, 59 percent had the examiner's answers written.

8 In 2002, after several years of this Mandatory Appeal  
9 Conference, we're down now to 39 percent.

10 The next step, of course, is to move this back  
11 further into the process, to try to prevent the case from  
12 getting to this point, making the decision earlier,  
13 whether the case should be allowed or it needs a new  
14 ground or whatever the appropriate action, to prevent the  
15 applicants from having to file a brief.

16 Looking at the decisions from the Board of  
17 Appeals over the last three years, we have been pretty  
18 steady in terms of the percentages. About 39 percent  
19 affirmed, 49 percent reversed, although if you add  
20 affirmed and modified or affirmed in part, we are running

1 50/50 in affirms and reversals.

2           With respect to the plans that we have in terms  
3 of improving the quality in the PTO, we're looking at a  
4 couple of aspects.                           We need to look at the  
5 people, make sure that they have the skills, knowledge and  
6 abilities or KSA's to do the job, provide the training  
7 necessary to do the job.

8           We also need to look at the tools that we have  
9 available so that, in fact, we can do the best job  
10 possible and then have to review the work product and make  
11 sure that the work product that we're putting out is of  
12 the highest quality possible.

13           We have a number of ways that we want to do  
14 these things with the QR reviews and the reviewable  
15 record, which I'll talk about in a minute.

16           In terms of the work force enhancements, some of  
17 the things that we're looking at with the people, to  
18 ensure that they have all of the knowledge that they need.

19  
20           One of the areas that we felt we need to improve

1 is in the hiring process. We have been hiring a lot of  
2 people, though we may not hire quite as many in the near  
3 future, but we want to make sure that the people that we  
4 hire have the skills and the temperament or the  
5 characteristics that will make them successful in the job.

6  
7 So, looking at the kinds of skills,  
8 communication skills, the technical ability which we have  
9 always looked at and also the -- are they analytical.

10 So, we would be looking at perhaps some vehicle  
11 for analyzing that more successfully to identify those  
12 people that would be successful.

13 We want to make sure that before we move people  
14 up through the grades to a primary examiner that they have  
15 the KSA's that are needed.

16 So, we are anticipating a certification of  
17 examiners prior to a GS-13. I think you heard this  
18 morning about recertification of practitioners.

19 We also have on the agenda recertification of  
20 primary examiners and making sure that the supervisors

1 that we have who are responsible for training all of our  
2 employees, make certain that they also possess the skills  
3 to make them not only good in practice and procedure but  
4 also good managers and then to look at -- looking at our  
5 training.

6 In terms of the certification and  
7 recertification, our GS-13s, our employees are given legal  
8 competence and negotiability, which means that they can  
9 bind the Agency. So, we want to ensure that  
10 prior to us conferring that on examiners -- that we are  
11 certain that they have all the knowledge that they need to  
12 exercise that wisely.

13 We're looking at providing training, patent law  
14 and evidence. We currently have contractors who come in  
15 and provide this.

16 However, we haven't provided every single  
17 examiner at this point in their career. That's why we ask  
18 that, we want to make sure that they have this training  
19 prior to becoming a GS-13.

20 We're also going to require a legal competency

1 test, which is similar to the agent's exam, although  
2 focused on those questions that are internal, the kinds of  
3 things -- practice and procedure internally.

4 So, there will be a need to take this exam before becoming  
5 a GS-13. We also make sure that we're reviewing the work  
6 product to ensure that the knowledge that they have is  
7 being transferred into the work product.

8 We also envision a recertification process after  
9 they become a primary examiner. This would  
10 involve continuing education that would be coupled with a  
11 test that would demonstrate that they have, in fact,  
12 understood the concepts to keep up with the changes that  
13 are occurring in both court cases, rules, those kinds of  
14 things as they evolve and then additionally, continue to  
15 review the work.

16 MR. STERN: One of the things that people  
17 underestimate is how unhappy the examiners are about  
18 hearing about the recertification of primary examiners,  
19 especially as to all the testing.

20 I was privy to a letter that was written to

1 management that I would like to share with all of you and  
2 this is from a person who has been in the Agency for a  
3 long time, and is a very senior examiner.

4 He starts off, "I was deeply disturbed. It  
5 surprises me when I find out that previous examiners have  
6 obviously turned against the examining corps and believe  
7 that we all are so incompetent that we must be tested at  
8 all stages of our career.

9 Put yourself in my shoes, after 32 years of  
10 examining, 26 at the primary level, and 16 at the expert  
11 level, how would you like to have to qualify for a primary  
12 again? I am insulted, as I'm sure that you would be."

13 Skipping to a later part, "I'm glad that I have  
14 turned 55 and have the opportunity to retire. Any thought  
15 that I had of staying is something gone.

16 It surprises me that when the government is  
17 concerned about the retirement of baby boomers and the  
18 associated brain drain that the PTO does not seem to care.

19  
20 Maybe the PTO does not feel that the experience

1 of old examiners is valuable and this is evidenced by the  
2 new tests that we must endure."

3 Folks are very willing and energetic about  
4 wanting to take both continuing legal education and  
5 technical education.

6 On the other hand, I predict that the  
7 certification and testing of examiners will get all the  
8 acceptance it will get by the local bar associations of  
9 the same concepts.

10 MS. BOULWARE: Thank you. We appreciate your  
11 comments.

12 One of the things I would point out with respect  
13 to our current quality review data, the error rate is  
14 actually higher than senior examiners -- primary examiners  
15 than it is for the junior examiners.

16 MR. STERN: Is that a statistically significant  
17 difference, because I think I have seen the data and the  
18 data shows teensy-weensy differences which probably -- I  
19 don't remember the exact numbers, but they seemed to be  
20 very small and they were not statistically significant.

1 MS. KEPPLINGER: I have to look at the  
2 statistics.

3 As I indicated, the SPE, Supervisory Patent  
4 Examiners, are responsible for training our new employees.

5  
6 We want to make sure that we have given them all  
7 the skills that they need in order to do that well, since  
8 it is the most critical aspect.

9 Sometimes we select them because they were good  
10 examiners, which doesn't necessarily translate into good  
11 managers.

12 We would be looking at providing training and  
13 mentoring to ensure that they are able to do that well and  
14 additionally, looking at compensation since currently  
15 examiners can make more than our supervisors do.

16 With the training, we want to provide increased  
17 training and continuing training, identifying the needs  
18 for that training from a variety of sources we can look at  
19 what comes out of the review of work product, to identify  
20 where we might provide additional training in the changes

1 in law practice procedures, feedback from both the board  
2 and from courts in situations where we may need to change  
3 our practice and provide additional training.

4 We also are looking at the possibility of having  
5 testing following some kinds of training courses where we  
6 think it is appropriate, in order to make sure that they  
7 have, in fact, grasped the concepts that were provided.

8 One of the first training opportunities would be  
9 102(e) changes, since we got the technical corrections  
10 bill passed and it is changing. We are scheduled to begin  
11 that training November 14.

12 MR. MOSSINGHOFF: Does this Board accept that  
13 training when I go in and take that training?

14 MS. BOULWARE: We could probably arrange a  
15 special course.

16 MR. STERN: This is another area where I have a  
17 comment.

18 I know that -- especially junior examiners are  
19 actually hungry for a mentoring program in which they get  
20 training by people who are competent in the technology

1 that they are examining and legally competent and I'm sure  
2 if that's the kind of training that can be provided, that  
3 will be welcomed by folks.

4 I certainly hope that it isn't going to be the  
5 kind of training that is done on a level that will seem  
6 irrelevant to the technologies that people are examining.

7 MS. KEPPLINGER: With respect to the tools, one  
8 of the things that we are working on are search  
9 guidelines. With our trilateral partners, we're looking  
10 at modifying the PCT minimum documentation that is  
11 required now for searches to be done and looking at  
12 uniform approaches in order to ensure that each and every  
13 office has the highest quality search possible.

14 We're looking for identifying for each  
15 technology area appropriate places -- what might be  
16 appropriate places to look for art. For example,  
17 particularly in non-patent literature, identifying  
18 commercial databases, the most appropriate ones for a  
19 given technology.

20 And we're also looking at an overall framework

1 for the quality management to ensure that we have the best  
2 approach and make use of the data in the best way, perhaps  
3 a more formalized approach to collecting the data, feeding  
4 it back, identifying root cause analysis and providing  
5 corrective actions.

6 With respect to QR, we have been measuring the  
7 error rate for 25 years and it has actually been about 5  
8 percent over that time period, up a little, down a little,  
9 but we want to try to take better advantage of the results  
10 that we obtain from there.

11 Our plan is to move quality review back and  
12 integrate it into Technology Centers to try to take  
13 advantage of their knowledge, get them closer to the  
14 examiners to provide feedback and identify mechanisms for  
15 improving, rather than just reviewing and identifying the  
16 errors, find ways to integrate that feedback and provide  
17 improved results.

18 But overall, the process really is focused on  
19 providing individual training so that we can improve in  
20 the products that we provide.

1           With QR, we're look at some of the reviews  
2 involving -- we have done end-process reviews after the  
3 case has been allowed.

4           We also have a program of end-process reviews  
5 where we look at them in the Technology Center,  
6 particularly -- for example, at the first office action,  
7 but the goal here is to make sure that we're looking at  
8 the work product in all phases of prosecution through  
9 first action filing through end-product review.

10           We want to continue to review primary examiners  
11 and junior examiners work product to ensure that they  
12 understand all of the practice and procedure in how to do  
13 the applications.

14           In selected areas, we may look also at expanding  
15 what we call, "the second pair of eyes."

16           We have a program in Business Methods, Class  
17 705, where we have every allowance reviewed by a second  
18 person to ensure that, in fact, the case should be  
19 allowed.

20           We look at the scope of the search and also look

1 at the scope of the claims to identify that it appears  
2 that the claims are broader than they should be they get  
3 sent back for somebody to review it again and make sure  
4 that it's accurate -- the scope of what is being allowed  
5 is appropriate.

6 So, in selected areas where we have -- may have  
7 a higher quality error rate, we might look at expanding  
8 this program to ensure that we don't have embarrassing  
9 patents go out and as I talked about the KSA's before --  
10 promotion to a GS-13.

11 Finally, one other aspect of the quality is the  
12 file wrapper itself. We have two initiatives to ensure  
13 that the file wrapper is complete.

14 We are looking to make sure that the examiner  
15 has in the record more adequate description of why a  
16 particular rejection is being dropped and also to make  
17 sure that the record of the interview is adequate and that  
18 someone looking at the file wrapper has an idea of what  
19 went on in the interview.

20 MS. BOULWARE: On the last slide, ensuring

1 application records, clear before dropping a rejection and  
2 improving recordation of interviews, how is that being  
3 handled?

4 MS. KEPPLINGER: Well, right now we're still --  
5 we're actually in negotiations in the union office on a  
6 number of these issues, the quality aspects, but our idea  
7 with this was that when the examiner had made a rejection  
8 and is going to drop the rejection, they could point out  
9 for example in applicant's arguments, that the argument on  
10 page such and such, paragraphs three through five, the  
11 applicant's arguments were convincing and so this  
12 rejection is dropped. But a fairly simple way  
13 of at least identifying what was the convincing part that  
14 would have resulted in the rejection being dropped.

15 With respect to the interviews, we have some --  
16 we're thinking about some process of the applicant coming  
17 in beforehand and giving a little more explanation of what  
18 it is they hope to talk about in the interview so that the  
19 examiners can be prepared for the interview.

20 And then just making sure that the examiner does

1 have some substance to what went on in the interview --  
2 reported in the interview on the form.

3 MR. MOSSINGHOFF: Are you going to add or  
4 emphasize requirement for reasonable allowance, given --  
5 is that part of the first bullet?

6 MS. KEPPLINGER: Not necessarily at this point.  
7 That is a requirement in the business method  
8 area, that they have room for allowance, although  
9 typically, if the record -- I think we follow the rules  
10 they are now. If the record is clear as to why  
11 the case is being allowed then there should be no  
12 additional need for reasons for allowance.

13 MS. BOULWARE: Ron Stern had a comment or a  
14 question?

15 MR. STERN: Definitely, we have a comment. It  
16 is more than a question.

17 That is, we are very concerned as examiners that  
18 the Agency is not allocating more time to examinations.

19 We noticed that the overall procedure for  
20 increasing quality is enhancing the amount of work product

1 that is reviewed and having more tests. But,  
2 unfortunately, the quality review statistics don't show  
3 that the quality failure is a failure in the area of  
4 understanding the law.

5 In the past, the majority of the failures have  
6 been in the area of search. People need more time in  
7 order to do the search.

8 The issue of time available for examination is  
9 perhaps the most critical. When you are asked to do  
10 something very, very quickly, you don't always do all  
11 those things that you think ought to be done in a case.  
12 We know that most examiners think they are being asked to  
13 do things too quickly. When the  
14 Agency asks that even more things be done, such as  
15 enhancing interview records, and then allocates no time to  
16 that, as they have already told us, we have a problem with  
17 that.

18 And if we're going to be enhancing the interview  
19 records, something else is going to suffer if there is no  
20 additional time allocated. That's just a fact of life.

1 There is only so much time that folks can put in; and it  
2 shouldn't be a surprise when folks find some additional  
3 errors.

4 I think that there are some very simple  
5 solutions that will provide significantly improved quality  
6 for the Agency. That simple solution is to provide  
7 additional time for examiners to work on cases, and  
8 especially for searches, and a small number of hours.....

9 MS. BOULWARE: I think we have heard this  
10 before. Thanks Ron.

11 MR. STERN: You are welcome.

12 MS. BOULWARE: Thank you. Esther, I did have  
13 another question.

14 It was my understanding that the review that was  
15 being done in and the hours that were being spent on  
16 reviewing applications after allowance, that some of that  
17 manpower was going to go more towards review of  
18 applications efforts during first office action, that  
19 there was going to be a redirection of resources to  
20 shorten the feedback to examiners and focus more on front

1 end problems?

2 I just wanted to have a clear understanding of  
3 whether that's currently happening, is going to happen, or  
4 where do we stand with the earlier feedback?

5 MS. KEPPLINGER: We currently have an in-process  
6 review program that looks at the cases after a first  
7 office action. The plan is to expand that and to make  
8 sure that we're looking at more cases at all points in the  
9 process.

10 But yes, that's a first action final and at the  
11 end after it is allowed.

12 MR. GIBBS: Just a couple of real quick  
13 questions; two real quick questions.

14 Searching is -- it appears they are going to be  
15 out-sourced and to that extent, does the office have a  
16 quality program, a quality specification in place  
17 regarding the third-party search authorities?

18 The second, in speaking with some office  
19 personnel from Canada, Denmark and Holland, they were on a  
20 mad scramble to satisfy ISO 9000 standards.

1 I don't know if I have heard ISO 9000 come up in  
2 any of the quality discussions, because it may have  
3 occurred in the Quality Review Subcommittee. Is ISO 9000  
4 part of what you anticipate putting into the enhanced  
5 quality?

6 MS. KEPPLINGER: With respect to quality, the  
7 two questions are very much linked.

8 We have been talking about ISO 9000 internally  
9 and also externally, because the -- to the extent we would  
10 be out-sourcing and/or accepting searches from other  
11 offices or getting the searches from other offices, we're  
12 looking at this together and talking about what kinds of  
13 quality standards we need to have in place.

14 Great Britain has, in fact, provided  
15 recommendations that we should be using ISO 9000. I'm not  
16 sure there is commitment yet by other offices to endorse  
17 that plan, but in the -- as I had indicated earlier, we  
18 are looking at changing the PCT documentation standards.

19 Also, we're working on combining search and  
20 examination guidelines for the PCT. Part of that will

1 include what mechanisms need to be in place in individual  
2 offices for quality.

3 We're looking at it globally for internationally  
4 to try to provide those standards in each office. We have  
5 not yet decided or come upon what the ultimate solution  
6 will be. We're still talking about it.

7 ISO 9000, as you know is a very complicated,  
8 time consuming, costly endeavor. Whether or not we're  
9 willing to do that is still under discussion.

10 MS. BOULWARE: Jerry Mossinghoff.

11 MR. MOSSINGHOFF: This will be portraying my  
12 ignorance. What is ISO 9000?

13 MS. KEPPLINGER: They are international  
14 standards that you have to comply with in terms of the  
15 quality.

16 It is more, I think, for sort of for out-  
17 sourcing and the standards that you would have in place if  
18 you were going to be contracting with someone, what they  
19 would deliver you.

20 You have to go through a series of questions and

1 formalities in order to be certified at that level.

2 Bo knows -- Bo is our ISO 9000 expert. Jerry,  
3 ISO 9000 is framework for organizations to follow  
4 delivering a quality service, a quality product.

5 For example, you have to have a clear training  
6 plan for all employees, a hiring plan, a procurement plan,  
7 a quality review plan and so on and so forth. It's a  
8 whole host of criteria that you have to meet.

9 MR. MOSSINGHOFF: It is procedural rather than  
10 substantive?

11 MS. BOULWARE: Exactly.

12 MR. MOSSINGHOFF: It doesn't say you have to  
13 meet this in one thousandth of an inch or something, it's  
14 a procedural?

15 MS. BOULWARE: Exactly. Then we will have to  
16 supplement that with our own guidelines in terms of search  
17 or examination.

18 MR. MOSSINGHOFF: Thank you.

19 MS. KEPPLINGER: Really, I mean, the question is  
20 whether we just put similar guidelines in place to ensure

1 quality in each of the offices using mechanisms as Bo  
2 said, for actually going through the formalities of the  
3 ISO 9000.

4 MR. GIBBS: The reason I bring it up -- and  
5 Jerry, it has been used in many of the industries for many  
6 years to enhance quality and as it is starting to surface  
7 as a proven quality system -- it is start to surface in  
8 discussions that I have had with other offices in much the  
9 same way as we're looking at you providing for the  
10 electronic filing, it is a system that is already there,  
11 it works, can we not adopt or latch onto an ISO 9000  
12 process that has proven generally to enhance quality in  
13 the industry in general.

14 MR. FERGASON: Having some experience in this  
15 area, in industries, we have run an ISO shop and it's best  
16 done on a blank slate.

17 My impression is that it would be very difficult  
18 to initiate at this time with the shortage of money,  
19 because the recording and all -- essentially, revision of  
20 the way you have to do business.

1           It really is a going back to square one and  
2 building forward with recording -- mostly recording  
3 failure -- to look at the product and work it backwards.

4           So, in my impression of the present conditions  
5 that it is being operated on, there might be more  
6 important things for the Patent Office itself than  
7 initiating the plan.

8           However, I do -- I would say that it should be  
9 initiated in hiring search -- in fact, if somebody wants  
10 to become a contractor for searching, ISO 9000 would be a  
11 very appropriate thing to require of those outside  
12 contractors. That's an opinion.

13           It is not -- I don't know enough really to make  
14 that statement for sure, but I believe under the  
15 conditions that are present in Patent Office, it would be  
16 very hard to get in.

17           MS. KEPPLINGER: That is, in fact, one of the  
18 things we that we were considering, which is why Bo has  
19 been becoming our expert on it, because we have been  
20 looking at what would be required to certify these outside

1 sources to do the searches for the office.

2 MR. FERGASON: Certification from a source --  
3 ISO 9000, is a good idea, because you are going in with a  
4 blank slate, but inside you have to swallow hard and be  
5 willing to spend a lot of money, which I -- is not an  
6 option.

7 MS. BOULWARE: Are there any other questions or  
8 comments on the quality issue for Esther?

9 MR. FERGASON: I just believe that we need to  
10 address this at a very early stage in the process. We  
11 have always had the motto that you build quality in, you  
12 don't test it in.

13 You need to -- I think that -- I am a strong  
14 believer in training and at the quality end. So, that  
15 would be my first line of going in at it. It is a  
16 problem. I see it as more of a problem creeping up on us.

17 It is one of the things that we need to have --  
18 it's improvement in the design end quality of the  
19 inspection process -- or the examination process.

20 MR. LAFUZE: Just as an observation, I think the

1 Patent and Trademark Office has a big commitment for the  
2 efforts that it has made for improving quality and the  
3 curves are going in the right direction at least with  
4 respect to error rates in that regard to pendency.

5 And I think quality is something that is  
6 important both the users and to the Patent Office to make  
7 sure our system produces high quality patents. I for one  
8 think the Patent Office should be applauded for it's  
9 efforts.

10 MS. BOULWARE: Thanks.

11 MR. FERGASON: I have to agree with that also.  
12 I'm just trying to balance the -- where the -- where you  
13 put your resources that are imminent in point in time,  
14 where should go -- just to ensure the quality of that  
15 first look at the application.

16 I think what we have seen some of and on a  
17 couple of applications that I have, I'm not as prolific as  
18 I used to be, but I've had nine patents issued over the  
19 last five years, I believe it is -- four years.

20 What I'm saying is I think -- I would describe

1 it as more a lack of understanding the subject matter in  
2 the first reading. You see that when your first action  
3 comes through. That goes back to training.

4 Thanks for the good work have you been doing for  
5 me.

6 MS. BOULWARE: One of the things that I think  
7 this committee has stated, and I'll restate it because I  
8 know this is one of the things that Ron Meyer would say if  
9 he was here, is looking at customers satisfaction must be  
10 taken with a grain of salt, because we don't want all the  
11 customers to be satisfied, quite frankly, because some of  
12 the customers should not be getting patents and they  
13 should be getting rejections.

14 I think any customer satisfaction review should  
15 really be not so much customer satisfaction, but come up  
16 with another name for it, but more of a customer input on  
17 particularly discrete items.

18 I know that's where the office is going and also  
19 in the regard of improving training.

20 Steve Kunin just brought down for everybody on

1 the PPAC, 102(e) training manuals that they already have  
2 out ready for examiners to look at, which -- and the bill  
3 was signed 10 days ago, I believe.

4 So, here we have the training manuals for  
5 102(e), which is a very complicated issue, ready for  
6 everybody to review to show you that -- ahead of -- being  
7 ahead of the curve or right on the curve here.

8 So, thank you Steve.

9 Jerry.

10 MR. MOSSINGHOFF: Steve -- I might have Steve  
11 address my class at University. Every time he addresses  
12 it, he explains what the problem was with 102(e). I  
13 thought I understood it until we both had class and then I  
14 didn't understand it anymore. So, I am delighted to have  
15 this record.

16 MS. BOULWARE: Ron.

17 MR. STERN: I think Jim makes an excellent  
18 point. What we're hearing from examiners is when they get  
19 stuck in technology that they don't have past experience  
20 in, it takes a little bit of time and they need the

1 dedication of some of the senior people in order to come  
2 up to speed on the technology.

3 That is an area in which an improvement could --  
4 is very desired, let's put it that way.

5 MS. BOULWARE: Any other questions or any other  
6 requests for training materials from the PPAC?

7 Thank you very much Esther.

8 The last item on the agenda is the preparation  
9 of the report. I have -- I understand that the Patent  
10 Office would like for us to get a draft to them by the  
11 22nd of November.

12 However, a draft has already gone out to  
13 everyone for review -- for private review. The report  
14 will be published and sent out. It will be sent out on  
15 November the 30th to the -- both branches of Congress, the  
16 President, the Secretary of Commerce, and will be on the  
17 Patent Office -- Patent and Trademark Office web site. It  
18 will go on the web site shortly thereafter.

19 We have had a number of public meetings to  
20 discuss the number of issues and have built up a fairly

1 full record on initiatives. At this point in time, I  
2 wanted to ask any of the Public Advisory Committee members  
3 here if they have anything else that they want to discuss  
4 or put in the record that would be appropriate for the  
5 report?

6 The other thing I wanted to ask is if everybody  
7 has gotten a draft of the report? I sent it to you by  
8 email. If you would like to forward your comments or  
9 anything to me by email, that's probably the preferred  
10 mode of communication these days.

11 If for any reason you did not get it, please let  
12 me know. The other thing is, I tried to print it out on -  
13 - I printed it out on a couple of computers. I did notice  
14 on one set-up I had page 12 printed blank. But are you  
15 not missing anything. If 12 is blank, there is no content  
16 that you are missing.

17 It just -- I don't know, this is some computer  
18 glitch that Andy or Bill can explain to me at some point  
19 in time or not.

20 But I do know that Jerry Mossinghoff was very

1 concerned about the alarming rate of pendency. I'm going  
2 to ask Nick and/or anybody else who can help us at the  
3 current funding of the PTO and Continuing Resolution if we  
4 can get data on pendency for -- we do have information for  
5 2008, but we would like to get information that is closer.

6 I get information on -- extrapolated out, but  
7 it would be helpful to know what the pendency would be  
8 2004, 5, 6, in those time frames, because we know it is  
9 going up, as Nick so well explained to us that it would go  
10 up.

11 At this moment, Ron, I would like to ask any of  
12 the voting members if they have anymore comments that they  
13 have that they would like to put on the record now that  
14 are not already included in the draft.

15 Andy, do you have anything?

16 MR. GIBBS: Just one note.

17 Since we -- the fee bill that was originally  
18 proposed in 2002 didn't pass, it is likely that will there  
19 will be some fee adjustments that we'll see in 2003.

20 To the extent that we can still include

1 consideration for the micro entity fee -- the micro entity  
2 fee was proposed as a very low-cost alternative for  
3 independent inventors in the event that the fees sky  
4 rocketed as originally proposed.

5 Even if they end up not sky rocketing, whatever  
6 that term may be, I would like to make sure that the  
7 consideration for the micro entity fee stays in play.

8 MS. BOULWARE: Thank you.

9 MR. MOSSINGHOFF: Madam Chair, I probably know  
10 about as much about dealing with the appropriation  
11 committees on the hill as anybody in the room.

12 We have been reported that they definitely  
13 believe that the answer is not "throwing people at the  
14 problem and all the rest." But I think there ought to be  
15 some realism put into this.

16 The fact is these are not mail handlers we're  
17 talking about. You don't speed it up by buying some  
18 automated equipment, some pulleys and some traction --  
19 this is hard corps professional operation. If you  
20 have more work to do, you need more good professionals to

1 do it. I think we ought to go on record. I mean,  
2 everyone can say well you can't talk to them because they  
3 don't believe -- they are human. They will listen to  
4 sensible people.

5 I think we ought to really emphasize the fact  
6 that this is a professional job that the examiners -- it's  
7 not handling mail or answering telephones on when the  
8 planes are going to leave that day or whatever. It is not  
9 something you can completely automate around.

10 I think the Advisory Committee should make that  
11 case and if we have to use Chinese water torture, let's  
12 start doing it and let's start getting that case out and  
13 making it intellectually and appropriately to the people  
14 that are important.

15 MS. BOULWARE: Thank you.

16 As an add-on to that, the reality, which is a  
17 very good reality, is that this country is still the  
18 leader in innovation and so, these professionals are going  
19 to be looking at the leading-edge, cutting-edge technology  
20 and that's a good thing.

1           It's a good problem to have, but it is a problem  
2 nevertheless and I'm sure, if any of the voting members  
3 disagree with that, please voice it now. I doubt if I'm  
4 going to hear any disagreement on that.

5           MR. LAFUZE: Meg, if I could, I want to make  
6 sure the comments I made earlier are not misconstrued when  
7 I talked about the fact that I think the system is broken  
8 and needs repair.

9           That's not a criticism of the Patent Trademark  
10 Office. It's a criticism of the manner in which the  
11 Patent and Trademark Office is required to operate within  
12 the system of government, including budgeting process, OMB  
13 and so forth.

14           And I think it is really outrageous that the  
15 Patent Office gets crippled because of forces beyond its  
16 control when you end up with the end of the budgeting year  
17 in which there is no budget and all of a sudden an office  
18 which needs additional funds to carry on existing and --  
19 projects which are on the table for implementation all of  
20 a sudden get chopped off at the knees. There is something

1 fundamentally wrong with that.

2 We have got to find a way to make sure the  
3 Patent and Trademark Office can function in the way which  
4 we all want it to.

5 MS. BOULWARE: Thank you, Bill.

6 Any other comments?

7 Ron, do you have a comment?

8 MR. STERN: Yes, I do.

9 One of the things in terms of fees is that there  
10 was a recommendation earlier that there be additional fees  
11 charged. And I understand that large corporations and  
12 some of the bar groups would accept additional fees for  
13 additional independent claims, for additional dependent  
14 claims, and for larger cases involving many pages of  
15 specification.

16 I hope that the Advisory Committee will  
17 recommend that there should be a pass-through of those  
18 additional fees to time for examination.

19 Obviously, if the fees are going to be paid to  
20 the Agency for the purpose of additional examination, I

1 hope the fees will wind up being used for that purpose.  
2 Just as the Agency is afraid of diversion of fees for  
3 other purposes, most examiners are afraid that even though  
4 fees might be charged for that purpose, they will wind up  
5 being diverted to other uses within the Agency.

6 We have seen that happen with the fees that were  
7 charged for IDS statements. We're, of course, very  
8 disappointed that no time was ever passed through to  
9 examiners, even though applicants have to pay an  
10 additional fee for consideration of an IDS.

11 Thank you.

12 MS. BOULWARE: Just to clarify one thing, there  
13 is only certain instances where you have to pay a fee for  
14 IDS. It is probably in the minority of the cases, but  
15 I'll leave that up to somebody else to give the right  
16 numbers on that. Most of us try to avoid the IDS fee.

17 Are there any other comments from the Advisory  
18 Committee? We have covered quite a bit.

19 Jim, do you have a comment? You are reaching  
20 for the --

1 MR. FERGASON: I'm just considering -- I was  
2 considering making a comment about the running away from  
3 the business by not connecting the input and the output.  
4 It never works. Just to support remarks that have already  
5 been made, it is broken.

6 MS. BOULWARE: It is good to hear from a  
7 successful business man, a successful business man.

8 Well, we are unbelievably on time. In the past,  
9 when we have had a few minutes, if we have any of the  
10 participants who have been listening to our comments, if  
11 there is anybody that has a question that wants to pose a  
12 question to the EPAC that we can answer and comes within  
13 our purview, we would be happy to try now if there are  
14 questions from the audience?

15 Seeing none, I'll ask for a motion to adjourn  
16 the meeting.

17 MR. VOICE: Motion.

18 MS. BOULWARE: Second?

19 MR. VOICE: Second.

20 MS. BOULWARE: All in favor?

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Thank you.

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(Thereupon, the meeting was adjourned.)

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